

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 18 – HB 131

March 9, 2015

SUMMARY OF ORIGINAL BILL: Authorizes any establishment in Eagleville in Rutherford County that is licensed to serve beer to also serve alcoholic beverages and wine for on-premises consumption as a premier type tourist resort.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue – \$300/One-Time/ABC Fund
\$2,000/Recurring/ABC Fund
\$6,400/Recurring/General Fund

Increase Local Revenue – \$5,700/Recurring/Permissive

SUMMARY OF AMENDMENT (003642): Authorizes, in addition to the establishment in Eagleville in Rutherford County, an establishment in Johnson County that is currently licensed as a restaurant, and an establishment in Campbell County to serve alcoholic beverages and wine for on-premises consumption as premier type tourist resorts.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Revenue – \$5,900/FY15-16/ABC Fund
\$5,000/FY16-17 and Subsequent Years/ABC Fund
Exceeds \$23,600/FY15-16 and Subsequent Years/General Fund

Increase Local Revenue – Exceeds \$18,700/FY15-16 and Subsequent Years/Permissive

Assumptions for the bill as amended:

- This bill, as amended, only applies to the three identified establishments.
- It is assumed that these establishments will first be licensed as premier type tourist resorts in FY15-16.
- The establishment in Johnson County currently holds a restaurant license for which the annual fee is \$975, payable to the Tennessee Alcoholic Beverage Commission (ABC).
- There is an initial application fee of \$300 and a \$2,000 annual license renewal fee for each establishment, payable to the ABC. The resulting increase in revenue to the ABC Fund in FY15-16 is estimated to be \$5,925 [(3 x \$2,300) - \$975]; the recurring increase in revenue to the ABC Fund in FY16-17 and subsequent years is estimated to be \$5,025 [(3 x \$2,000) - \$975].

- No additional personnel or resources will be required by the ABC.
- Local annual privilege tax is estimated to be \$1,000 per establishment. It is further estimated that the establishment in Johnson County currently pays such tax. As a result, the recurring increase in local revenue, beginning in FY15-16, is estimated to be \$2,000 (2 x \$1,000).
- The proposed legislation, as amended, will authorize the establishment in Johnson County to sell alcoholic beverages for consumption on the entire premises, including, but not limited to, the clubhouse, restaurant, gift and pro shop, swimming pool, golf course, etc., and will authorize the other two establishments that currently do not sell alcoholic beverages to begin selling licensed as premier type tourist resorts.
- State and local sales taxes and a 15.0 percent liquor-by-the-drink (LBD) tax will be assessed on the additional sales of alcoholic beverages.
- The current state sales tax rate is 7.0 percent; the local option sales tax rate is 2.75 percent in Rutherford County, 1.50 percent in Johnson County, and 2.25 percent in Campbell County; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- Pursuant to Tenn. Code Ann. § 57-4-306(a), 50.0 percent of the 15.0 percent LBD tax is allocated to the state General Fund and 50.0 percent is distributed to the local government.
- Based on the average LBD taxable base in six municipalities with the similar population as Eagleville, calculated by the Department of Revenue (DOR), and assuming reasonable growth rates in LBD tax collections, the average taxable base for this establishment is estimated to be approximately \$45,000 per year.
- The recurring increase in state revenue to the General Fund associated with this establishment is estimated to be \$6,411 $[(\$45,000 \times 7.0\%) - (\$45,000 \times 7.0\% \times 3.617\%) + (\$45,000 \times 15.0\% \times 50.0\%)]$. The recurring increase in local revenue is estimated to be \$4,727 $[(\$45,000 \times 2.75\%) + (\$45,000 \times 7.0\% \times 3.617\%) + (\$45,000 \times 15.0\% \times 50.0\%)]$.
- Based on the interquartile average of 2013 LBD tax returns generated by DOR, and assuming reasonable growth rates in LBD tax collections, and absent any specific detail data on the current sales of alcoholic beverages at the Johnson County establishment, the proposed legislation is estimated to increase taxable sales at this establishment by at least \$11,000 each year.
- The recurring increase in state revenue to the General Fund associated with this establishment is estimated to exceed \$1,567 $[(\$11,000 \times 7.0\%) - (\$11,000 \times 7.0\% \times 3.617\%) + (\$11,000 \times 15.0\% \times 50.0\%)]$. The recurring increase in local revenue is estimated to exceed \$1,018 $[(\$11,000 \times 1.50\%) + (\$11,000 \times 7.0\% \times 3.617\%) + (\$11,000 \times 15.0\% \times 50.0\%)]$.
- Based on the interquartile average of 2013 LBD tax returns generated by DOR, and assuming reasonable growth rates in LBD tax collections, and absent any specific detail data on the current sales of alcoholic beverages at the Campbell County establishment, the average taxable base for this establishment is estimated to be approximately \$110,000 per year.
- The recurring increase in state revenue to the General Fund associated with this establishment is estimated to be \$15,671 $[(\$110,000 \times 7.0\%) - (\$110,000 \times 7.0\% \times 3.617\%) + (\$110,000 \times 15.0\% \times 50.0\%)]$. The recurring increase in local revenue is

estimated to be \$11,003 [(\$110,000 x 2.25%) + (\$110,000 x 7.0% x 3.617%) + (\$110,000 x 15.0% x 50.0%)].

- The total recurring increase in state revenue to the General Fund, beginning in FY15-16, is estimated to exceed \$23,649 (\$6,411 + \$1,567 + \$15,671).
- The total recurring increase in local revenue, beginning in FY15-16, is estimated to exceed \$18,748 (\$2,000 + \$4,727 + \$1,018 + \$11,003).
- Any revenue collected from any state or local taxes imposed on manufacturers or wholesalers is estimated to be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Jeffrey L. Spalding, Executive Director

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